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FM AMEMBASSY OTTAWA
TO RUEHC/SECSTATE WASHDC PRIORITY 8737
INFO RUCNCAN/ALL CANADIAN POSTS COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 001452

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E.O. 12958: DECL: 11/18/2018
TAGS: [PGOV](#) [ECON](#) [CA](#)
SUBJECT: BLEAK WINTER AHEAD FOR THE LIBERAL PARTY

REF: A. OTTAWA 1348
[1](#)B. OTTAWA 1341

Classified By: PolMinCouns Scott Bellard, reason 1.4 (d)

[1](#)1. (C) Summary. The opposition Liberal Party faces at least six months of virtual support for the second minority government of Prime Minister Stephen Harper, given the necessity of ensuring Parliament deals constructively with the ongoing world financial crisis and domestic economic and employment issues, and the reality that the Liberals cannot afford another election under lame duck leader Stephane Dion. The Liberal leadership race is already heating up in what could be another "devour your young" internal struggle. The Conservatives now have the luxury, even beset with serious financial concerns and a looming deficit, of assuming they can retain power without another election at least until summer 2009, and quite possibly until February 2010. End Summary.

[1](#)2. (C) With the opening of the 40th Parliament on November 18 and the presentation of the "Speech from the Throne" laying out the agenda of the second Harper minority government on November 19, the Liberal Party has little to look forward to. The lame duck leadership of Liberal Party leader Stephane Dion (ref b) will remain weak until the national Liberal Party national convention in Vancouver April 29-May 3, 2009 selects the next leader. The jockeying for this position has already begun in earnest, with former deputy leader Michael Ignatieff announcing on November 13 that he would be a candidate again now Liberal party members can say "I know that guy," unlike in his unsuccessful 2006 race. 41 year old New Brunswick Liberal MP Matthew LeBlanc had also previously indicated his intention to throw his hat in the ring and offer a generational challenge, while Liberal MP and former Foreign Affairs Critic Bob Rae has also said that he would run (but has not yet formally announced his candidacy). The three butted heads publicly at a Liberal party caucus of "riding" (district) party association chiefs on November 16, which Rae refused to enter once it became clear that his would-be rivals would not agree to open up the proceedings to the media. LeBlanc complained to reporters that Rae was "mistaken to take his marbles and go home," while the media delighted in footage of a grumpy Rae walking away alone with his hands clenched in his pockets.

[1](#)3. (C) Liberal Party national director Greg Fergus admitted to PolMinCouns on November 14 that the cutback in federal funding following the party's poor results in the October 14 election (ref a) had already forced the party's national office to lay off one-third of its staff on November 4. Internal re-organization and pre-occupation with the party's financial and political plight were so overwhelming that party leaders literally forgot to send a congratulatory message to President-elect Obama, either from the party or from party leader Dion, he added. He insisted that the Liberals had nonetheless decided not to sit back placidly in the 40th Parliament or to continue its previous policy of "whipped abstentions" (whereby party members abstained en masse on confidence votes in the Commons during the last year of the 39th Commons). He insisted that the Liberals will

loudly vote against Conservative motions that the party opposes, but will make sure that "there are enough Liberals with the flu that day" so that the Conservative government does not fall and prompt a new election. He commented that the party would have to continue this strategy until at least summer 2009, with an election possible -- but not likely -- in fall 2009. He claimed that the rivalry for Liberal party leadership was "healthy" and that the Liberals would ultimately get a solid "bounce" of support from the large (8,000 - 10,000 delegates) convention in late April, especially given "all the free media publicity." While it was already clear that Ignatieff and Rae were the only likely viable candidates, he explained that the party needed at least three genuine candidates to justify the huge costs of the convention. With only two candidates, the Liberals' "Super Delegate weekend" March 6-10 could theoretically make the choice, but he expressed the belief that this would be a strategic mistake.

14. (C) Separately, Liberal Research Bureau General Manager Derek Ferguson and its Director of Opposition Research Kevin Bosch on November 17 predicted an uneventful four week Commons session between November 18 and December 12, when the MPs will rise for the Christmas holidays. They noted general expectations that the government's Throne Speech would -- due to the world financial crisis -- focus primarily on economic issues, at the expense of the usual Conservative law-and-order priorities, and that all opposition parties would be hard-pressed to express any strong objections at a time of perceived crisis. The same will hold true, they noted, for the government's expected Fall Economic Statement, which would be the first time that the Canadian public may

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gain a truer picture of how bad economic prospects at home might be. During the winter 2009 Commons session that will probably begin in February, the Liberals will not be in a position to defeat the government on the next budget, even though the government is likely to head into politically poisonous deficit territory for the first time in over a decade. The Liberals' strategy will instead be to point to decisions by the Harper government since 2006 -- notably, the two percent cut in the GST -- that virtually eliminated a C\$97 billion budget cushion inherited from the previous Liberal governments, they claimed. Recent meetings between new Conservative leader of the government in the House Jay Hill and Liberal House leader Ralph Goodale have been constructive, they commented, bolstered by the shared western heritage and "straight-shooting" approach of these two long-standing MPs -- unlike Hill's predecessor Peter Van Loan (now Minister of Public Safety), whom they described as "duplicitous." They nonetheless predicted that Dion will be far less visible in the House of Commons in coming months, leaving more time on the floor for the leadership candidates and other members of a Liberal "dream team," i.e. its shadow cabinet.

15. (C) Ferguson admitted that the six months between now and selection of a new party leader will be a trying time for the party, especially since it was already becoming apparent that, despite a previous entente between Ignatieff and Rae, the gloves were already coming off in the Liberal leadership sweepstakes. He indicated a possibility that the two could so bloody each other that LeBlanc could indeed emerge as the compromise candidate next May. Bosch explained that economic considerations had virtually forced the Liberals into sticking with the May date for the leadership race: the party had already paid non-refundable deposits for the Vancouver convention space long before it was clear that what was originally intended as a policy convention would instead turn into a leadership vote.

16. (C) Comment: Once again, Liberal Party disarray is good news for the Conservatives, who face no credible opposition in the House of Commons in coming months, and perhaps even

well into late 2009 or even early 2010. They will have almost carte blanche in passing legislation (apart from possible blockages in Committees), but will nonetheless have to be careful to stick to dealing with urgent economic and financial issues first, rather than focusing on issues like crime and Senate reform that are the higher priorities for most of their core constituents, thousands of whom met in Winnipeg November 13-15 for a steady-as-we-go policy convention (septel).

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